

**STATEMENT OF
CHAIRMAN TOM WHEELER**

Re: *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42, *Telecommunications Carriers Eligible for Universal Service Support*, WC Docket No. 09-197, *Connect America Fund*, WC Docket No. 10-90.

One of this agency's most fundamental responsibilities is to ensure that all Americans have access to vital communications services. We also have a duty to manage public resources in an effective, efficient manner that advances the public interest. Today's Lifeline item advances both objectives: exploring new ways to expand access to broadband, while strengthening protections against waste, fraud, and abuse.

The Lifeline program was established by the Reagan Administration's FCC in 1985 to help low-income Americans afford access to vital communications. Over a span of three decades, the program has helped tens of millions of Americans afford basic phone service. But as communications technologies and markets evolve, the Lifeline program also has to evolve to remain relevant.

This is what the Bush Administration did in the 2000s when the FCC took steps to open the program to mobile wireless service, including non-facilities-based mobile providers. Unfortunately, however, they took those steps without instituting the kinds of controls necessary to protect against waste, fraud, and abuse. As a result of these decisions, the program almost tripled in size from 2008 (about \$784 million) to 2012 (almost \$2.2 billion). The year before I arrived, Chairman Genachowski took action to begin to correct those earlier missteps. These reforms helped annual Lifeline spending drop from almost \$2.2 billion to \$1.7 billion, a 23 percent decrease.

But it's not just fixing the program's management that is necessary. There are basic design flaws that must be fixed, such as how today those who provide the Lifeline service certify the eligibility of those who sign up for the program. If ever there was a fox guarding the hen house, it would be this requirement.

Therefore, beginning with this NPRM we are taking the Lifeline program down to the studs. The program's rules need a hard look and an overhaul. This NPRM solicits the advice we need to do just that.

We all agree that we have entered the broadband era – except Lifeline has not. The transformation from a voice-based service to a broadband-based service is key to Lifeline's future. Broadband access is essential to find a job: more than 80 percent of Fortune 500 job openings are online. Americans need broadband to keep a job, as companies increasingly require basic digital literacy skills. Our kids rely on broadband to do their homework – whether it's completing an online assignment or researching a topic for their class. Broadband helps us save money – a 2012 study estimated that broadband helps a typical U.S. consumer save \$8,800 a year by providing access to bargains on goods and services.

But nearly 30 percent of Americans still don't have broadband at home, and low-income consumers disproportionately lack access. While more than 95 percent of households with incomes over \$150,000 have broadband, only 48 percent of those making less than \$25,000 have service at home.

Consider Nicole Tanis of Washington Heights in Upper Manhattan. This 60-year-old regularly takes a 40-minute subway ride to a public library on 34th Street because the wait time to use the Internet is shorter there than in the libraries in her neighborhood. She makes the trip to do small freelance data entry jobs on the library's computers, while looking for other part-time positions online.

Today's Lifeline NPRM also puts us on the path to finish the job of modernizing our major universal service programs. We've already adopted historic reforms to the Universal Service Fund to create the Connect America Fund, which just this week invested \$283 million to leverage Frontier's deployment of broadband to 1.3 million Americans. We've also updated E-rate to support high-speed wired and wireless connectivity in our schools and libraries. We're hoping rate-of-return carriers will help us reform their support mechanisms by the end of the year, as well. It's Lifeline's turn to be updated for the Internet age.

The FCC has a statutory mandate to ensure "consumers in all regions of the country, including low-income consumers . . . should have access to . . . advanced telecommunications services." Lifeline has proven that a small subsidy for phone service can make a huge impact in people's lives. Lifeline support for broadband would likely have an even greater impact.

Getting Lifeline reform right won't be easy. I look forward to working with my colleagues to resolve the difficult questions before us.